



AMERICAN BROADCASTING • PARAMOUNT THEATRES, INC.



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*A subsidiary of the corporation

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AMERICAN BROADCASTING • PARAMOUNT THEATRES, INC.

EXECUTIVE OFFICES: 1501 Broadway, New York 36, N. Y.

Price Waterhouse & Co., Independent Accountants
Bankers Trust Company, Transfer Agent
The Bank of New York, Registrar



Reflected in the camera lenses
on the cover are the Company's diversified
mass entertainment activities in
theatres and broadcasting.

		1956	1955
Income	Total, comprising:	\$206,916,000	\$198,350,000
	Theatre operating income	\$100,565,000	\$110,503,000
	ABC operating income	98,759,000	81,117,000
	Dividends from affiliated companies	135,000	508,000
	Merchandise sales and other income	7,457,000	6,222,000
Expenses	Total, comprising:	\$199,181,000	\$190,132,000
	Operating and general expenses	\$176,300,000	\$167,157,000
	Interest	1,427,000	1,457,000
	Depreciation	7,884,000	8,174,000
	State, local and payroll taxes	5,580,000	5,550,000
	Federal income tax	7,990,000	7,794,000
Net Profit	Operations	\$7,735,000	\$8,218,000
	Less preferred dividends	\$362,000	\$488,000
	Net applicable to common	\$7,373,000	\$7,730,000
	Per share common	\$1.78	\$1.89
	Capital gains	\$742,000	\$155,000
	Per share common	\$.18	\$.04
	Combined profit applicable to common	\$8,115,000	\$7,885,000
	Per share common	\$1.96	\$1.93
Dividends Paid	Total	\$5,742,000	\$5,408,000
	Per share preferred	\$1.00	\$1.00
	Per share common	\$1.30	\$1.20
	Number of preferred shares outstanding at year end	348,999	372,851
	Number of common shares outstanding at year end	4,145,809	4,138,165
Financial Position	Working capital	\$41,200,000	\$30,238,000
	Fixed assets (net)	69,501,000	73,713,000
	Long term debt	45,637,000	38,723,000
	Net worth	\$83,883,000	\$81,448,000
	Less par value preferred	6,980,000	7,457,000
	Applicable to common	\$76,903,000	\$73,991,000
	Per share common	\$18.55	\$17.88
General	Stockholders of record	25,292	
	Operating theatres (as of March 4, 1957)	550	
	ABC-TV Network affiliates	214	
	ABC-Radio Network affiliates	334	

With the year 1956, our Company completed its seventh full year in business. Total income set a new high at \$206,916,000. Consolidated earnings were \$8,477,000 or \$1.96 a common share compared with \$8,373,000 or \$1.93 a share in 1955. Net operating earnings amounted to \$7,735,000 or \$1.78 a share as against \$8,218,000 or \$1.89 a share in the preceding year.

Cash dividends of \$1.30 a share were paid to holders of common stock, which included an increased year end extra dividend of 30¢ a share in addition to the regular quarterly dividend of 25¢ a share. Total dividends paid rose to \$5,742,000 from \$5,408,000 in 1955.

Following the general industry trend, our theatre business for the year was not up to the 1955 level, primarily due to the continuing short supply of quality pictures. However, with the showing of a number of top attractions such as GIANT, FRIENDLY PERSUASION, WAR AND PEACE, LOVE ME TENDER, OKLAHOMA, and early engagements of TEN COMMANDMENTS and AROUND THE WORLD IN 80 DAYS, business during the fourth quarter was well ahead of the same period of the previous year. As a means of helping to provide a greater supply of pictures and to stimulate increased production by others, our Company decided to produce pictures on a modest scale at the outset.

To some extent the decrease in theatre income was due to the progressive disposition of properties. Moreover, dividend income from partially-owned theatre companies was reduced from \$508,000 in 1955 to \$135,000 in 1956, because of the disposition of most of these companies as required by the Consent Decree. Recognizing the disproportion between the supply of pictures and the total national theatre plant, our Company is continuing its policy of streamlining its theatre portfolio by divesting theatres which are or may become marginal or uneconomic. This reduction through sale, lease cancellation or demolition not only enhances the earnings potential and value of the remaining theatres but also converts assets into cash for investments in other business areas.

The ABC Division reported year-to-year improvement in income and earnings with a substantial increase in gross time billings for the television network over 1955. Business results for each television broadcast year, which starts in the Fall, are largely fixed in the preceding spring and summer when advertisers commit their budgets for the coming year. Television network sales of programming for the period from October through the summer of 1957, which were largely established prior to the start of the Fall season, are not up to expectations as was mentioned in the third quarter report to our shareholders. Fourth

quarter results, therefore, were below those of the same period of the previous year. For example, the Mickey Mouse Club, presently partially sponsored, is not contributing importantly to earnings as it did in the prior season when it was fully sponsored. Starting next Fall, this top-rated daytime program will include the most popular elements of the show in a new half-hour format. The new format, giving greater identification value to advertisers, is expected to be fully sponsored.

While efforts are being continued to improve television sales during the current broadcast season, a materially broadened and strengthened program schedule is being set for the 1957-58 season. Appearing exclusively on ABC-TV starting next Fall are outstanding performers such as Frank Sinatra, Pat Boone and Guy Mitchell, as well as Mike Wallace who starts in April. Three of these programs already have been sold to advertisers. Other new programs are in preparation by top producers, including Warner Brothers and Disney.

To implement the development of the ABC program structure, a plan to expand the physical facilities of the television network is also under way. Our Company has maintained its strong financial position, with additional funds having been arranged for this year in order to meet all of these requirements. Working capital at the year end was \$41,200,000 compared with \$30,238,000 in 1955.

Following the changes in ABC management in the Fall, a sound and strong organization is now being developed in order to meet the expanding needs of ABC's continued growth and progress.

Our Company's subsidiaries as well as the businesses in which we have a stock interest made fine progress during 1956. Am-Par Records, in a relatively short time, has established a firm position in the recording field. ABC Film Syndication is developing its film properties with a view towards the expanding world-wide television market. One of the country's foremost amusement centers, Disneyland Park, in which our Company has an approximate 35% interest, concluded a very successful first year of operation last July.

Broadening our interest in the electronic and nucleonic field, a 25% stock interest was acquired in Wind Tunnel Instrument Company of Newton, Mass., which specializes in aeronautical instrumentation. This acquisition complements our Company's investments in Microwave Associates, Inc. and Technical Operations, Incorporated—two growing research, development and manufacturing organizations.

On behalf of the management and the thousands of people whose skills and abilities comprise our corporate family, we hope to merit your continuing support of our endeavors to further the successful development of our enterprise.

Leonard H. Goldenson

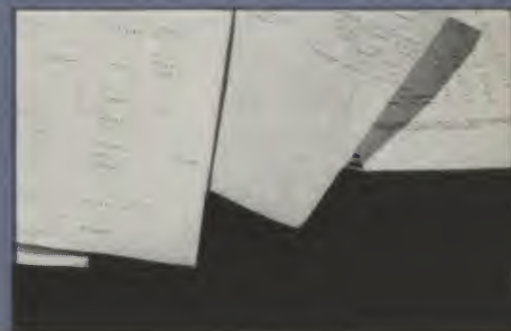
President

March 15, 1957





Financial and Operating Review



Consolidated net earnings for 1956 of \$8,477,000 or \$1.96 per share common compared with those of the previous year of \$8,373,000 or \$1.93 per share. Net operating earnings were \$7,735,000 or \$1.78 per share compared with \$8,218,000 or \$1.89 per share in 1955.

Net Earnings

	1956	1955
Operations	\$7,735,000	\$8,218,000
Capital gains	742,000	155,000
Total	\$8,477,000	\$8,373,000
Preferred dividends paid	\$ 362,000	\$ 488,000
Net applicable to common	\$8,115,000	\$7,885,000
Per share common:		
Operations	\$1.78	\$1.89
Capital gains18	.04
Combined	\$1.96	\$1.93

Net Earnings After Taxes

Dividends on Common Stock

Common stock dividends paid to shareholders in 1956 were \$5,380,000 compared with \$4,920,000 in 1955. This represented \$1.30 per share in 1956 (including a 30¢ a share extra year end dividend) compared with \$1.20 paid in the previous year. Restrictions on dividend payments under our new loan agreement are set forth in the notes to the financial statements.

Income

Total income for the year of \$206,916,000 set a new high for the Company. Theatre operating income was \$100,565,000 compared with \$110,503,000 in 1955. Operating income for the ABC Division was \$98,759,000 which represented an increase of \$17,642,000 over last year's figure of \$81,117,000.

Taxes

The exemption from the Federal tax on theatre admissions of 90¢ or less, effective September, 1956, has been beneficial to the theatres. It is our hope that the entire tax will be eliminated.

The Company's other tax payments for the year remained approximately the same as in 1955. A breakdown of these taxes is shown below.

Taxes	1956
Federal income (less \$205,000 applicable to capital gains, net)	\$ 7,785,000
Real estate, personal property and State franchise ..	3,862,000
State income	136,000
Payroll taxes	1,043,000
Sales, gross receipts, etc.	539,000
Total	<u>\$13,365,000</u>

Working capital at the year end of \$41,200,000 reflected an increase of \$10,962,000 over the previous year. Of this increase, \$6,600,000 was derived from additional financing under the Company's loan agreements. The year end cash position remained strong with \$28,987,000 in cash and government securities and was augmented by the additional borrowings.

The expanding requirements of the ABC-TV network were primarily responsible for higher inventories and receivables at \$9,751,000 and \$16,861,000 respectively and these can be expected to increase with the continued growth of the television network.

Depreciation continued at a high level at \$7,884,000 of which \$6,290,000 was attributed to theatres, \$1,508,000 to ABC, and \$86,000 to other non-theatre properties. To properly maintain our theatre properties, \$3,494,000 of theatre depreciation was re-invested in fixed assets and \$482,000 had been expended to the year end toward converting part of the State Lake Building in Chicago to house the offices and facilities for ABC's television station, WBKB. ABC's capital expenditures were somewhat less than its depreciation but future expenditures are expected to exceed depreciation as the physical facilities, particularly of the television network and stations, are enlarged to accommodate increased business.

Source and Application of Funds

Source and Application of Funds

		1956
Working capital at December 31, 1955		\$30,238,000
Source of funds		
Net income from operations	\$7,735,000	
Provision for depreciation	7,884,000	
Cash proceeds from capital gains transactions, after taxes thereon	2,135,000	
Additional financing under loan agreement ..	6,600,000	24,354,000
		<u>\$54,592,000</u>
Application of funds		
Dividends paid—Preferred	\$ 362,000	
Common	5,380,000	
Purchase of preferred stock	488,000	
Fixed asset additions and replacements	5,182,000	
Investments in and advances to affiliated companies	1,224,000	
Other, net	756,000	13,392,000
Working capital at December 29, 1956		<u><u>\$41,200,000</u></u>

Long Term Debt

Our Company concluded an agreement in December with Metropolitan Life Insurance Company and five banks for a loan to repay our existing debt of \$37,234,000 and provide for additional funds in the maximum amount of \$27,766,000. The banks' portion, \$12,500,000, was taken down on December 27, 1956, \$42,500,000 is to be taken down on May 31, 1957 and \$5,000,000 during the first nine months of 1958. The Company has an option for an additional \$5,000,000 exercisable during the first nine months of 1958. Of the \$12,500,000 taken down, \$3,400,000 was applied to the payment of existing debt to the banks; \$33,834,000 of the proceeds of the \$42,500,000 will be applied to the payment of the balance now owed to the insurance company; the remaining proceeds (including the additional loan or loans) being added to working capital. The \$12,500,000 provided by the banks bears interest at 3.95% with semi-annual maturities to January 1, 1962. The \$52,500,000 to be provided by the insurance company (including the standby of \$5,000,000) will bear interest at 4.2% with serial maturities from July 1, 1962 to July 1, 1977 and a final maturity on January 1, 1978. The Company is continuing its policy of staying one year ahead of payment of debt maturities, and has pre-paid \$2,500,000 of the bank loans. This loan will fortify the Company's financial position and will provide the funds to finance its further growth, including additional facilities required in television.

Changes in Capital Stock

The Company continued to purchase preferred stock in the open market for sinking fund purposes when such purchases appeared advantageous. During the year 23,850 shares were purchased at an average price of \$20.34 per share. These shares combined with the number of shares purchased or redeemed in prior years, represent a total reduction of 259,047 shares. Consequently, there remain outstanding 348,999 shares of the 608,046 shares originally issued in February, 1953.

Options for 35,000 shares of common stock, the balance remaining of the stock options approved by our stockholders, were issued to certain executives of the Company during the year and are exercisable within seven years of the date of issuance at \$25.18 per share.

Book Value of Common Stock

Book value of the common stock increased from \$73,991,000 or \$17.88 per share at the end of 1955 to \$76,903,000 or \$18.55 per share at December 29, 1956.



Theatres

Our theatre business in the fourth quarter of 1956 ran well ahead of the same period in 1955. Following the general industry trend, however, the theatre business for 1956 was not up to the previous year's level. This was largely due to the fact that our business, along with that of the entire industry, reflected the continuing shortage of top quality pictures available for theatre exhibition.

Despite the increasing selectivity in entertainment tastes, and greater competition for leisure time expenditures today, the fact that large numbers of people continue to patronize theatres in order to see good motion pictures demonstrates the industry's inherently broad market potential. For example, during the last quarter of 1956 when pictures such as *GIANT*, *WAR AND PEACE* and others mentioned previously in the president's letter were released for exhibition, an impressive public response resulted in excellent business. It is apparent that with a broad flow of high calibre pictures from the production companies into a streamlined

Industry Trends



Paramount Theatre—San Francisco



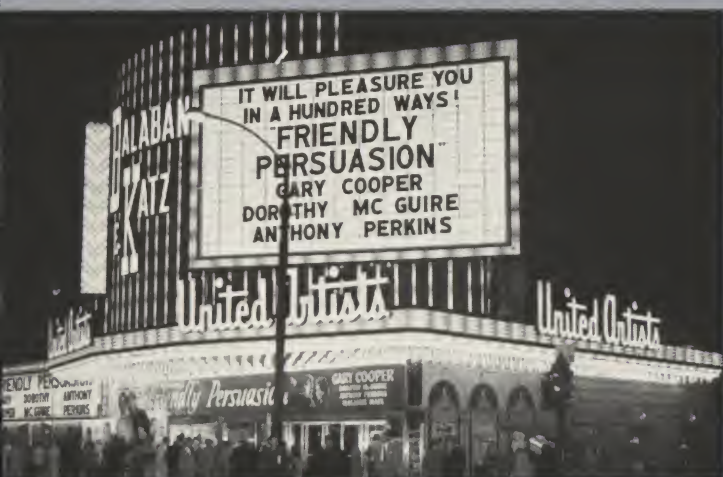
Madison Theatre—Detroit

national theatre structure, the industry can enjoy a consistently high business level.

In view of the limited supply of pictures and changing competitive conditions in the mass entertainment market, your management believes that the total theatre plant in the country today, consisting of almost the same number of operating facilities as there were ten years ago, is presently excessive. Accordingly, your Company is pursuing a policy of reducing the number of its theatres with a view toward retaining those theatres with good earning potentialities. The Company's objective, therefore, is to maintain an efficient operation consisting of theatres which are well located and will provide the conditions necessary for a maximum degree of audience comfort and enjoyment, including adequate parking areas, attractive appointments, and the best sound and projection facilities.

Theatre Properties

Currently, the Company's subsidiaries operate 550 theatres. During the past year 32 theatre properties were disposed of either through sales, lease cancellations or demolitions, and twenty-two theatres remained to be divested under the Consent Decree by March 15,



United Artists Theatre—Chicago



Sheridan Theatre—Miami Beach

1957. Since the year end, the Company has completed the divestiture requirements of the Consent Judgment.

A comprehensive survey of the Company's theatre portfolio has been made and with this study as a guide, your management is actively pursuing a course of further theatre divestment. The ultimate aim of this accelerated program is to retain the best theatres in order to maintain the soundest theatre portfolio for income and earnings. The elimination of marginal and uneconomic theatre properties to date, has made possible the consolidation of certain operations and the reduction of overhead expenses.

The profitability of the Company's theatre operation, the substantial cash flow through its high depreciation and the capital gains income from divestiture of properties, have been and will continue to be a major factor in preserving the Company's strong financial position and in providing funds for investment in other areas of its business.

The Company's decentralized theatre operations are managed by a very competent executive group. These executives, as well as the managers of the theatres in their respective circuits, have earned recognition for their business abilities and for their leadership in community activities, both of which are essential to successful theatre management.

Scenes from important pictures to be shown in 1957



James Stewart stars in Warner Brothers' "The Spirit of St. Louis".



MGM's "Raintree Country" with Montgomery Clift and Elizabeth Taylor.



Gary Cooper and Audrey Hepburn in Allied Artists' "Love in the Afternoon".



"The Pride and the Passion"—United Artists release stars Cary Grant, Frank Sinatra and Sophia Loren



Rita Hayworth, Frank Sinatra and Kim Novak team up in Columbia's "Pal Joey".



Paramount's "Funny Face" stars Fred Astaire and Audrey Hepburn.



James Mason, Joan Collins and Michael Rennie star in 20th Century-Fox's "Island in the Sun".



Universal-International's "Night Passage" stars James Stewart

The Company's theatre subsidiaries are known locally by their respective corporate names. To aid our stockholders in identifying our theatre operations, these subsidiaries and the states in which they are located are listed below.



ARIZONA PARAMOUNT THEATRES *Arizona*
 BALABAN & KATZ THEATRES *Illinois*
 FLORIDA STATE THEATRES *Florida*
 GREAT STATES THEATRES *Illinois, Indiana, Ohio*
 INTERMOUNTAIN THEATRES *Utah, Idaho*
 INTERSTATE THEATRES *Texas*
 MINNESOTA AMUSEMENT THEATRES *Minnesota, Wisconsin, North and South Dakota*
 NEW ENGLAND THEATRES *Massachusetts, Maine, Vermont, New Hampshire, Connecticut and Rhode Island*
 NORTHIO THEATRES *Ohio, Kentucky*
 PARAMOUNT GULF THEATRES *Louisiana, Mississippi, Alabama, Florida, Texas*
 PARAMOUNT PICTURES THEATRES CORP. *New York, Pennsylvania, California*
 PENN PARAMOUNT THEATRES *Pennsylvania*
 TENARKEN PARAMOUNT THEATRES *Arkansas, Kentucky, Tennessee*
 TEXAS CONSOLIDATED THEATRES *Texas*
 TRI-STATES THEATRES *Iowa, Nebraska, Illinois, Missouri*
 UNITED DETROIT THEATRES *Michigan*
 WILBY-KINCEY THEATRES *Alabama, Georgia, North and South Carolina, Tennessee, Virginia, West Virginia*

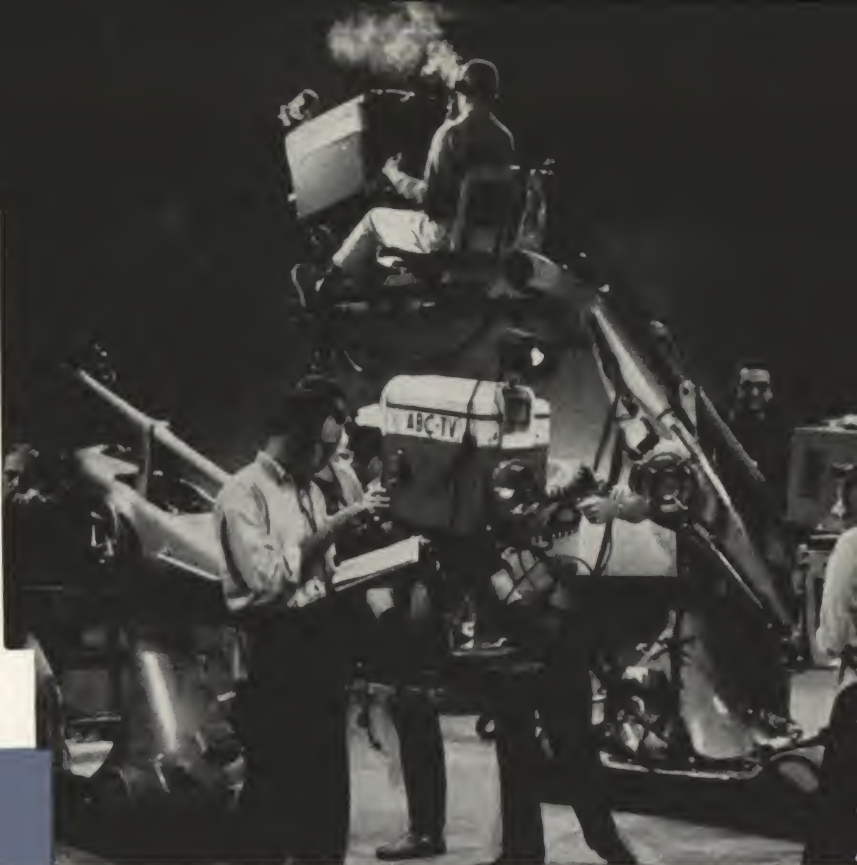
Because of the evident need for a greater supply of pictures, and to help stimulate further production by other organizations in the field, last November AB-PT Pictures Corporation was formed as a subsidiary of our Company for the purpose of making feature films for theatre exhibition. Irving H. Levin, former president of Filmmakers Productions, and an experienced producer, was appointed president of the subsidiary.

The motion picture production activity of this new subsidiary is being undertaken on a limited basis at the outset. AB-PT Pictures' initial productions will consist of moderately budgeted pictures lending themselves to special exploitation, such as its first science-fiction film, "BEGINNING OF THE END", which is expected to be ready for release in June. An exhibitor advisory committee composed of a group of executives of the Company's theatre subsidiaries was formed to assist in the selection of story properties and promotional campaigns with plans being formulated to produce approximately six pictures in 1957.

Motion Picture Production



Broadcasting



Television

The past year has seen the ABC Television Network strengthen its position among the three nationwide networks with 110 advertisers—many of them new to ABC-TV—investing more than \$70,000,000 in gross time billings, up substantially from 1955.

However, the network program structure starting in the Fall did not broaden sufficiently in programs and additional sales. The results, therefore, for the 1956-57 broadcast season, which were largely established in the selling period prior to the Fall of 1956 as explained earlier in this report, are not up to expectations. Indeed, the fourth quarter of 1956 was not up to the same quarter of the previous year.

A key to the success of the television network is good programming which gains the viewing public's acceptance and attracts advertiser sponsorship. The gain of public acceptance is indicated by the amount of time that television families spent each week viewing ABC programs. This "home circulation" rose from 80 million home hours in December, 1955 to more than 100 million home hours in December, 1956.

Ratings, another indication of ABC program popularity, improved substantially during the past year. In cities where the three networks are on an equal competitive basis, ABC-TV was registering a dominant position by the Fall of 1956, during the important evening hours on two nights of the week—Tuesday and Wednesday. Strong programs have attracted sizeable audiences on the other nights of the week as well.



In the Fall of 1956, the network augmented its major 1955 programs with a varied line-up of new offerings, some of them seen for the first time on television. Prominent in the group are two highly rated adult Western series, *THE ADVENTURES OF JIM BOWIE* and *BROKEN ARROW*; a new musical variety program, *TOP TUNES AND NEW TALENT*, starring Lawrence Welk (in his second weekly ABC presentation); *THE FORD THEATRE* dramatic series; a new Warner Brothers production, *CONFLICT*, which alternates with the popular adult Western series, *CHEYENNE*; and an hour-long dramatic portrayal of the press in action, *WIRE SERVICE*.

The network's established cultural, variety, dramatic, comedy, quiz, musical and adult Western programs continued to attract large viewing audiences. In its third season, Walt Disney's weekly hour of fact and fantasy for the whole family, *DISNEYLAND*, maintains program leadership in its time period.

THE LIFE AND LEGEND OF WYATT EARP and *THE LONE RANGER* are popular among the nation's Western shows; *THE DANNY THOMAS SHOW* and *THE ADVENTURES OF OZZIE AND HARRIET* rank high among television's situation comedies; dramatic shows include the *DUPONT THEATRE*. Noteworthy among the music programs are the popular *LAWRENCE WELK* show, the Peabody Award-winning *VOICE OF FIRESTONE*, the *RAY ANTHONY* show and *OZARK JUBILEE*. In the area of quiz, audience participation and variety programs are *YOU ASKED FOR IT* and *AMATEUR HOUR*. The weekly *WEDNESDAY NIGHT FIGHTS* heads the sport shows.

Programming

Special programming includes the award-winning OMNIBUS, CROSS-ROADS—a documentary drama about clergymen, and the informative MEDICAL HORIZONS. For the family, and particularly children, ABC-TV's program schedule features RIN-TIN-TIN; KUKLA, FRAN & OLLIE; and Walt Disney's top-rated MICKEY MOUSE CLUB.

News and Public Affairs

The ABC Television Network expanded its news and public affairs personnel and programming to cover the biggest domestic story of the year, the political campaigns, and, overseas, the crises in Middle Europe and the Middle East.

For three months prior to the National Conventions, ABC-TV carried the weekly CAMPAIGN ROUNDUP, reporting on the important primaries and political developments in every state. ABC's coverage of the National Conventions and November Elections received commendations both from the press and the viewing public.

Among the outstanding continuing programs are JOHN DALY AND THE NEWS, COLLEGE NEWS CONFERENCE, and the DEAN PIKE and BISHOP SHEEN programs. The OUTSIDE U.S.A. program won the Peabody Award for the promotion of international understanding. New public affairs programs included PRESS CONFERENCE, which pioneered in going abroad to interview government leaders such as President Nasser of Egypt, Premier Mollet of France, Hugh Gaitskell of Great Britain and others; and JOHNS HOPKINS FILE 7, a study of university and research projects being carried on in the sciences and humanities. OPEN HEARING, a documentary program dealing with major Washington developments, was recently added to the network schedule.

The crises in Poland, Hungary and the Middle East were covered by ABC's foreign news staff under Robert Sturdevant, Paris Bureau Chief, in collaboration with Telenews Film crews. The Washington News Bureau was strengthened by the addition of veteran foreign correspondent John Secondari as Bureau Chief. Cecil Brown, one of the most widely known commentators, recently joined the New York staff.



John Daly, seen with Quincy Howe, directs ABC's coverage of the Presidential Conventions.

Outlook

In strengthening its competitive position with the other networks, ABC will be aided substantially by the further accessibility of its programs to all major markets, a number of which presently have only two TV stations. Progress in expanding the network's coverage was made with new primary affiliates in San Diego, Calif.; Richmond, Va.; Albany-Schenectady-Troy, N. Y.; Evansville, Ind.; Knoxville, Tenn.; Madison, Wisc.; Oklahoma City, Okla.; Durham-Raleigh, S. C.; San Antonio, Texas and Norfolk, Va.

Improvement in the network's coverage also resulted from better station clearances on a delayed basis for certain of its programs. This factor reflects the desirability of ABC programs to stations and the importance of improving the programming structure further.

Some of the leading programs on ABC Television



Walt Disney, host of fact and fantasy on DISNEYLAND.



Western star Clint Walker on CHEYENNE.



Musical enjoyment with LAWRENCE WELK.



The talented Mouseketeers on the MICKEY MOUSE CLUB.



Adventures of frontier marshal, WYATT EARP, with Hugh O'Brian.



Boxing thrills on WEDNESDAY NIGHT FIGHTS.

(INS PHOTO)

The direct live clearance of programs in a number of important markets, which is dependent upon the granting of station licenses by the Federal Communications Commission, now looks promising. There is every reason to expect that the F.C.C. will take steps in the near future to grant licenses for additional stations in such major cities as Boston, St. Louis, Miami and Omaha. A third station in these markets would provide conditions for a primary ABC affiliation, which, when it occurs, would give the network excellent market coverage.

In order to accelerate the growth of the television network during the 1957-58 broadcasting season, the division is now in the process of expanding its overall program structure, enlarging its facilities, and establishing a strong management organization to carry out these major objectives. To provide the necessary funds for this growth, additional financing, mentioned earlier, has been arranged.

Within the area of programming, the network's evening schedule is being strengthened and steps will be taken to expand its daytime program line-up as well. Appearing exclusively in new programs on ABC-TV will be four outstanding performers — Frank Sinatra, Pat Boone, Guy Mitchell and Mike Wallace, the first three to start in the Fall and Wallace to start in April. Three of these programs have already been sold to national sponsors.

Among the other new programs presently planned for the coming Fall season will be shows created by such top producers as Warner Brothers, Louis Edelman, producer of *WYATT EARP*, and Walt Disney. Walt Disney Productions is preparing an exciting weekly adventure series entitled *ZORRO*.

The 1957-58 program schedule can be expected to attract more important national advertisers to the roster of ABC-TV sponsors, which was joined during 1956 by Ford, Plymouth, Eastman Kodak, R. J. Reynolds, Procter & Gamble, and Armour among others.

To support its expansion plans in programming and sales, a completely new studio and office plant will be constructed at the ABC location in Hollywood. This construction work should begin in 1957 and will provide the network with outstanding facilities, particularly for live programs originating from the West Coast.

The continuing development of the television network requires full application of its management personnel's broad talents and abilities. Oliver Treyz, after two years as president of the Television Bureau of Advertising, returned to ABC as vice-president in charge of the television network. James Aubrey, formerly a program executive of another network, joined ABC as vice-president in charge of television network programming. Both men bring to their assignments an extensive knowledge of the broadcasting field. Additional personnel are being added to the organization, principally in the important areas of programming and sales. The overall development of the network's management plans is under the direct supervision of the Company's president.

The re-establishment of radio's important position in mass communications in reaction to the competitive impact of television during recent years, is indicated by the continuing growth in radio set sales and increased multiple-set ownership. The rise of television brought about a general industry decline from which local station operations have recovered more effectively than have network operations. Nevertheless, with more radio sets in more American homes and automobiles than ever before, new listening habits have emerged as radio adapts itself to the role of serving as a more personalized information and entertainment service.

Advertisers are becoming increasingly aware of the values of network radio in view of the new listening patterns being established and the medium's inherent effectiveness in reaching the public on an efficient cost basis. Most significant has been the realization on the part of major television advertisers that network radio adds many TV homes not otherwise reached by the basic TV property and further delivers added frequency to those homes already reached by TV. Nielsen research shows that network radio is "a new medium" ideally suited to complementing the basic TV franchise of an advertiser.

During 1956, the ABC Radio Network improved its relative competitive position among the four networks. It assumed audience leadership over the other networks in the important commercial morning time periods. The popular Don McNeill's **BREAKFAST CLUB** in ABC's morning schedule is followed by dramatic programs, **MY TRUE STORY**, **WHEN A GIRL MARRIES**, **WHISPERING STREETS** — specifically designed to appeal to the important housewife audience. Following these programs is **THE JACK PAAR SHOW**, added in the summer of 1956.

News and Public Affairs: Throughout the day, and particularly during the evening hours, ABC Radio has placed emphasis on round-the-clock news coverage with 18 five-minute newscasts per day during the week and 11 five-minute newscasts each Saturday and Sunday. This schedule was in addition to the numerous news commentaries by ABC Radio's distinguished commentators such as Edward Morgan, John Vandercook, Quincy Howe, Paul Harvey, George Sokolsky and Erwin Canham. During the year ABC Radio added to its long-standing reputation for on-the-spot news coverage. In addition to its regular newscasts, as well as full coverage of the Political Conventions and National Elections, ABC Radio brought listeners on-the-scene coverage and special reports of the big news events of the year. These included the sinking of the *Andrea Doria*, intensive on-the-spot coverage of the European and Middle East crises and special reports from the United Nations. This news coverage combined with ABC's many public service features, such as the **DISASTER** series for the Red Cross and extensive religious programming, served to provide a well-rounded public affairs schedule.

Radio



Don McNeill, genial host of the **BREAKFAST CLUB**, chats with Fran Allison.

To improve its service to advertisers, the ABC Dispersion Plan was inaugurated during 1956, making the network's segmented programs available to sponsors on a participating or "segment" basis, combinable one with another to earn maximum frequency discounts. This plan is designed to place the ABC Radio Network within the reach of all national advertisers and to assure them of maximum flexibility and cost efficiency for sizeable campaigns. The ABC Dispersion Plan is supported by ABC's broad market coverage through its more than 300 radio station affiliates throughout the nation, making it possible for ABC Radio to offer advertisers valuable merchandising support and local dealer identification.

ABC Radio recently announced an increase in rates for the network's morning programs effective April 1, 1957. Although the ABC rate increase is modest, it represents the first raise in network radio rates in years, and further serves to signify renewed recognition of the national medium's real worth.

Owned Stations

The Company's owned and operated television and radio stations are located in five of the seven largest markets in the United States. These five television and four radio stations, in addition to a one-half interest in radio station WLS in Chicago, are: WABC (TV, AM, FM)—New York; WBKB (TV, FM)—Chicago; WXYZ (TV, AM, FM)—Detroit; KGO (TV, AM, FM)—San Francisco; and KABC (TV, AM, FM)—Los Angeles.

Overall profits of these stations showed improvement in 1956 compared with the previous year. Their growth reflected one of the best years in local and national spot radio business, as well as increased audience acceptance for the television stations' local and national programs.

New and enlarged television facilities are being planned for the Los Angeles, Detroit and Chicago stations. The Chicago station, WBKB-TV, will have its studio and offices centralized in the State Lake Building and its new technical facilities will include the recently perfected television tape recorders which allow for the more efficient and effective re-broadcasting of network programs.

Subsidiaries and Investments

Film Syndication

ABC Film Syndication, Inc., a subsidiary company, has broadened its sales of film programs to television stations and advertisers to

Douglas Fairbanks, Jr. stars in the
TV dramatic anthology series,
DOUGLAS FAIRBANKS, JR. PRESENTS.



include the expanding foreign market. Programs were sold in England, Australia, Japan, Puerto Rico and Cuba. A concerted sales campaign is being undertaken to sell these properties in all other Latin-American countries in 1957.

The properties now being syndicated include "Racket Squad", "Passport to Danger", "Douglas Fairbanks, Jr. Presents", "Herald Playhouse", "Kieran's Kaleidoscope", "Sheena, Queen of the Jungle", "The Three Musketeers", and "The Anniversary Package" which consists of a group of sixteen top quality feature films.

"Code Three", one of the recently acquired programs, is enjoying good sales results and audience ratings in those markets where it is being shown. Several new film programs will be available for distribution in 1957 including "Snowfire", "26 Men" and "Exclusive", based on stories of the Overseas Press Club.

Am-Par Record Corp., a subsidiary company, has made fine progress in the year and one-half of its existence.

A number of the record company's long-playing albums in the jazz and popular music categories sold very well during the year. In the single record field, Am-Par enjoyed noteworthy success with a number of recordings such as "A Rose and a Baby Ruth" and "Wriggle Wriggle", which ranked high among the top selling records in the country. The recorded songs from The Mickey Mouse Club television program have sustained a dominant position in the children's market.

Am-Par Records is steadily enlarging its catalogue of recordings and its roster of artists. The company expects its schedule of recording releases under the "ABC-Paramount" label to be appreciably stronger in 1957.

Disneyland Park, one of the nation's foremost amusement attractions, in which our Company has an approximate 35% stock interest, concluded a very successful first year of operation last July. By the end of 1956, approximately 5,600,000 people paid to visit this 160 acre amusement center, created by Walt Disney and his associates and located in Anaheim, California.

Attendance in the summer of 1956 exceeded the same period of the preceding year with per capita spending showing an increase as well. This was due largely to the installation of several high capacity

Records



Popular ABC-Paramount recording artist, Eydie Gormé.

Disneyland Park



Alice in Wonderland tea-cup ride in the Fantasyland section of the Park.

new rides and attractions which accommodated the increased number of visitors.

Electronics

In August, 1956 our Company expanded its interests in the electronics and nucleonics fields with the acquisition of a 25% stock interest in Wind Tunnel Instrument Company, of Newton, Massachusetts.

This concern specializes in wind tunnel instrumentation for aircraft companies, governmental agencies and laboratories. Its skills in mechanical engineering fit in very well with the manufacturing and development resources of Microwave Associates, Inc., in which our Company has a one-third stock interest, and the scientific research and development activities of Technical Operations, Incorporated, in which a 25% stock interest was acquired in 1956.

To accommodate more efficiently and effectively the increase in its business in microwave equipment, magnetrons and radar components, Microwave Associates recently moved into a new 50,000 square foot plant in Burlington, Massachusetts. Technical Operations has also acquired new plant facilities in the Burlington industrial area. A new transistor power supply unit developed by Technical Operations is being manufactured and sold by Microwave Associates through a recently established subsidiary, Power Sources, Inc., which is owned jointly by these two organizations.



Studies in radiography by Technical Operations' scientists.



Microwave's new plant in the Burlington, Mass. industrial center.

Wind tunnel balance and power control console manufactured for aircraft companies by Wind Tunnel Instrument.



PRICE WATERHOUSE & CO.

20 FINE STREET

NEW YORK 5

March 15, 1957

To the Directors and Shareholders of
American Broadcasting-Paramount Theatres, Inc.

In our opinion, the accompanying consolidated balance sheet and related statements of profit and loss and surplus, together with the explanatory notes, present fairly the position of American Broadcasting-Paramount Theatres, Inc. and consolidated subsidiary companies at December 29, 1956 and the results of their operations for the fiscal year (52 weeks) then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.

Consolidated

Assets

	December 29, 1956	December 31, 1955
CURRENT ASSETS:		
Cash	\$ 27,263,817	\$ 20,731,782
United States government securities (at approximate market or redemption value)	1,723,586	3,702,085
Accounts and notes receivable, less reserves:		
Accounts receivable, trade	14,924,798	13,205,624
Notes receivable from disposal of theatre interests since January 1, 1950	168,943	241,490
Affiliated companies	121,942	81,585
Officers and employees	65,941	98,487
Sundry notes and accounts	1,579,213	1,052,688
Broadcasting program rights, film costs and production advances, less amortization	8,779,381	6,034,154
Inventory of merchandise and supplies, at cost or less	971,685	988,703
Total current assets	<u>\$ 55,599,306</u>	<u>\$ 46,136,598</u>
INVESTMENTS, LESS RESERVES (See Note A):		
Affiliated companies:		
Capital stocks	\$ 2,216,426	\$ 1,708,194
Advances	2,218,893	1,503,051
Notes receivable from disposal of theatre interests since January 1, 1950, due after one year	1,024,567	1,084,374
Other notes and accounts due after one year	1,323,063	366,434
Miscellaneous	2,046,323	2,034,926
	<u>\$ 8,829,272</u>	<u>\$ 6,696,979</u>
FIXED ASSETS (See Note B):		
Land	\$ 22,960,558	\$ 22,945,406
Buildings, equipment and leaseholds	110,982,632	115,521,405
Less—Reserves for depreciation and amortization	(64,441,717)	(64,754,189)
	<u>\$ 69,501,473</u>	<u>\$ 73,712,622</u>
INTANGIBLES, at cost	<u>\$ 8,756,620</u>	<u>\$ 8,756,620</u>
OTHER ASSETS:		
Deposits to secure contracts	\$ 890,377	\$ 816,738
Prepaid expenses and deferred charges	2,615,399	2,474,348
	<u>\$ 3,505,776</u>	<u>\$ 3,291,086</u>
	<u>\$146,192,447</u>	<u>\$138,593,905</u>

Balance Sheets

Liabilities and Capital	December 29, 1956	December 31, 1955
CURRENT LIABILITIES:		
Accounts payable and accrued expenses (including unremitted collections of admission and payroll taxes—December 29, 1956, \$525,785)	\$ 12,807,921	\$ 12,659,429
Federal taxes on income, estimated	7,656,838	8,166,004
Less—U. S. Treasury notes	(6,357,428)	(5,316,288)
Notes and mortgages payable within one year	291,870	389,030
Total current liabilities	\$ 14,399,201	\$ 15,898,175
FUNDED DEBT DUE AFTER ONE YEAR:		
Notes issued under Loan Agreements (See Note C)	43,834,000	37,234,000
Other notes and mortgages	1,802,886	1,488,944
OTHER LIABILITIES:		
Advance payments, self-liquidating	649,315	555,217
Miscellaneous	1,136,186	1,202,766
Total liabilities	\$ 61,821,588	\$ 56,379,102
RESERVE FOR CONTINGENCIES (See Note D)	\$ 239,192	\$ 515,830
INTEREST OF MINORITY STOCKHOLDERS IN CAPITAL AND SURPLUS OF SUBSIDIARY COMPANIES	\$ 248,677	\$ 250,745
CAPITAL STOCK AND SURPLUS (See Note E):		
5% Preferred stock, authorized 372,855 shares, \$20 par value		
Shares issued 372,849-28/100ths	\$ 7,456,986	\$ 7,457,038
Less—Shares held in treasury 23,850		
Shares outstanding 348,999-28/100ths		
Common stock, authorized 5,000,000 shares, \$1 par value		
Outstanding 4,145,809-4/38ths shares	4,145,809	4,138,166
Capital surplus	45,989,956	45,809,304
Earned surplus	26,778,273	24,043,720
	\$ 84,371,024	\$ 81,448,228
Less: Cost of preferred shares in treasury	488,034	—
	\$ 83,882,990	\$ 81,448,228
CONTINGENT LIABILITIES (See Note F)		
	<u>\$146,192,447</u>	<u>\$138,593,905</u>

Consolidated Profit and Loss and Surplus Accounts

Profit and Loss Account

	<u>1956</u>	<u>1955</u>
INCOME:		
Theatre admissions, rentals and vending profits	\$100,564,804	\$110,503,384
Television and radio time and program sales, less discounts, rebates and commissions to advertising agencies	98,759,306	81,116,634
Dividends from affiliated companies	135,401	508,311
Merchandise sales and other income	7,456,194	6,221,739
	<u>\$206,915,705</u>	<u>\$198,350,068</u>
EXPENSES:		
Theatre and broadcasting operating expenses, cost of merchandise sold, selling and administrative expenses and sundry taxes	\$181,862,282	\$172,689,711
Interest expense	1,426,887	1,457,203
Depreciation and amortization of buildings, equipment and leaseholds	7,883,964	8,173,765
Profits applicable to minority holders of stocks of subsidiary companies	18,027	17,766
Federal income tax	7,990,000	7,793,606
	<u>\$199,181,160</u>	<u>\$190,132,051</u>
PROFIT FROM OPERATIONS	\$ 7,734,545	\$ 8,218,017
CAPITAL GAINS, net, after applicable Federal income tax	<u>742,171</u>	<u>155,356</u>
PROFIT FOR THE YEAR	<u>\$ 8,476,716</u>	<u>\$ 8,373,373</u>

Surplus Accounts

	<u>Earned</u>	<u>Capital</u>
BALANCE AT BEGINNING OF YEAR	\$ 24,043,720	\$ 45,809,304
ADD or (DEDUCT):		
Profit for the year	8,476,716	
Dividends paid in cash:		
5% Preferred stock at \$1.00 per share	(361,988)	
Common stock at \$1.30 per share	(5,380,175)	
Proceeds in excess of par value of 7,655 shares of common stock issued upon exercise of stock purchase options		119,648
Other changes		61,004
BALANCE AT END OF YEAR	<u>\$ 26,778,273</u>	<u>\$ 45,989,956</u>

Notes to Consolidated Financial Statements

BASIS OF CONSOLIDATION:

Included are all subsidiary companies, wholly owned directly or indirectly by American Broadcasting-Paramount Theatres, Inc., and a few such companies in which the common stocks are owned in excess of 85%.

NOTE A—INVESTMENTS:

Investments in and receivables from affiliated companies not consolidated are carried at values adjusted to January 1, 1935, with subsequent additions at cost to a predecessor company, Paramount Pictures Inc., to American Broadcasting-Paramount Theatres, Inc., or to subsidiaries.

Investments in and receivables from affiliated companies include \$500,000 stock investment and \$1,941,200 advances to Disneyland, Inc. In addition, the Company has agreed, in the event of default under a bank loan to Disneyland, Inc. (obtained in 1955 in amount of \$4,400,000 but reduced at March 5, 1957 to \$1,100,000), to purchase the note for the unpaid balance of the loan, which is secured by mortgage on the real property and certain personal property of Disneyland, Inc. as well as by pledge of revenues derived from leasehold contracts and from television broadcasting contracts between the Broadcasting Division of the Company, Walt Disney Productions and Disneyland, Inc. In that event the Company may exercise all rights under the security provisions of the mortgage indenture and exploit the residuals of the television programs until such funds are recovered.

The miscellaneous investments include \$1,294,417, the carrying value of unliquidated investments in certain theatres sold. These investments consist of stock and property interests sold since January 1, 1950 under contracts of sale secured by liens on the assets disposed of, at prices amounting in the aggregate to \$8,203,200. The sales prices, with interest thereon in most cases, are payable in instalments which in some cases are fixed periodic amounts but in the main are variable contingent amounts determined by the contractual provisions of the particular sale, and have final maturities in various years extending to 1983. Of the total sales prices, \$7,322,565 remained uncollected at December 29, 1956 and the difference between this amount and the present carrying value of the investments is a contingent profit which will be taken into the profit and loss accounts proportionately over future years as additional instalments of the sale prices are collected.

NOTE B—FIXED ASSETS:

The fixed assets, with minor exceptions, are carried at cost, less depreciation, to the predecessor companies, Paramount Pictures Inc. and American Broadcasting Company, Inc., to American Broadcasting-Paramount Theatres, Inc., or to subsidiaries. Three properties of a consolidated subsidiary carried at a book value of \$274,516 are subject to a mortgage in the maximum amount of \$320,000 pledged to secure performance under certain leases of such subsidiary.

NOTE C—NOTES ISSUED UNDER LOAN AGREEMENTS:

These notes comprise (1) \$10,000,000 of 3.95% notes due \$1,250,000 semi-annually from July 1, 1958 to and including January 1, 1962 issued under a new loan agreement of November 27, 1956 and (2) \$33,834,000 of 3½% notes outstanding under a previous loan agreement. Under the new loan agreement the Company (1) will borrow on May 31, 1957 \$42,500,000, to be evidenced by a 4.2% note payable \$1,250,000 semi-annually from July 1, 1962 to and including July 1, 1972 and \$1,625,000 semi-annually from January 1, 1973 to and including July 1, 1977, to be used to the extent of \$33,834,000 to discharge the 3½% notes outstanding at December 29, 1956, and (2) during the first nine months of 1958 will borrow \$5,000,000 and has the option to borrow an additional \$5,000,000 to be evidenced by 4.2% notes due January 1, 1978.

NOTE D—RESERVE FOR CONTINGENCIES:

Reserve for contingencies is intended to provide for settlements of anti-trust litigation and other contingencies applicable to the period prior to December 31, 1949. The reserve was reduced during the year by \$245,451 in respect of payments in settlement of certain litigation and costs in connection therewith and by an additional amount of \$31,187 transferred to appropriate liability accounts to provide for certain payments determined to be required over a period of years. To the extent that payments made after December 29, 1956 with respect to such litigation may exceed the amount of reserve for contingencies available therefor, the excess will be charged to capital surplus.

NOTE E--CAPITAL STOCK AND SURPLUS:

There were outstanding on December 29, 1956 option warrants issued to officers and employees under the Common Stock Option Plan which entitled the holders to purchase 31,535 shares of the Company at \$16.63 per share on or before December 15, 1957 and 35,000 shares of the Company at \$25.18 per share on or before March 23, 1963. No other shares are reserved for issuance to officers and employees for options, warrants or any other rights.

The Company is required in each year to set aside cash as a sinking fund for the redemption of 24,322 shares of 5% Preferred Stock. The sinking fund redemption price is presently \$20.40 and reduces periodically until it becomes \$20 after June 30, 1958. The Company may take credit, at the sinking fund redemption price, for any shares which it may have purchased or redeemed otherwise than through the sinking fund. Shares have been applied in full satisfaction of the sinking fund requirements through 1956 and 161,754 additional shares purchased or redeemed are available for sinking fund requirements of subsequent years.

Under the Loan Agreement there are certain restrictions on the Company in declaring or paying any dividends (otherwise than in shares of capital stock of the Company) or making, or permitting any "restricted" subsidiary to make, any purchase, redemption or retirement of, or any other distribution upon, any of the shares of capital stock of the Company (otherwise than in such shares), said "stock payments" being permitted only to the extent of \$3,400,000 plus (1) the consolidated net earnings of the Company and its "restricted" subsidiaries (excluding amounts representing capital gains, less applicable taxes thereon) since December 31, 1955, and (2) the aggregate amount received subsequent to December 31, 1955 as the net cash proceeds of sales of shares of capital stock of the Company to the extent that such amount does not exceed the aggregate amount applied, subsequent to December 31, 1955, to the purchase, redemption or other retirement of shares of capital stock of the Company. These restrictions had the effect of making the capital surplus and \$21,731,915 of the consolidated earned surplus at December 29, 1956 unavailable for such "stock payments."

NOTE F--CONTINGENT LIABILITIES:

For indemnities given in connection with transactions consummated in the rearrangement of theatre assets, for additional Federal income taxes and for pending litigation, including anti-trust suits, to many of which a predecessor company, Paramount Pictures Inc., and other major motion picture companies are defendants (amount not determinable).

Under the Plan of Reorganization of Paramount Pictures Inc. the Company assumed 50% of the expense and liability incurred in connection with anti-trust litigation where distribution and exhibition are involved and which is based upon occurrences prior to the dissolution of Paramount Pictures Inc. on December 31, 1949.

NOTE G--RENTALS UNDER LEASES OF REAL PROPERTY:

American Broadcasting-Paramount Theatres, Inc. and its consolidated subsidiaries were liable as of December 29, 1956 under 323 leases of real property expiring subsequent to December 31, 1959 under which the minimum annual rental was approximately \$5,989,000. The minimum annual rentals stipulated in these leases which expire during the three five-year periods ending December 31, 1974 and subsequent to that date are as follows:

Leases expiring:

During the 5 years ending:

December 31, 1964	\$2,084,000
December 31, 1969	1,607,000
December 31, 1974	841,000
Subsequent to December 31, 1974	1,457,000

\$5,989,000

NOTE H--CONSENT JUDGMENT:

The divestiture program under the Consent Judgment dated March 3, 1949 entered in the anti-trust proceedings entitled United States of America v. Paramount Pictures Inc., et al, as amended by subsequent orders, which required the Company and its subsidiaries to dispose of certain wholly owned theatres and terminate joint interests in theatres, was completed on March 4, 1957.

